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July 3, 2003

BY EXPRESS

Mary Cottrell
Secretary
Department of Telecommunications and Energy
One South Station, 2d floor
Boston, Mass. 02110

RE: Boston Gas co., DTE 03-40

Dear Secretary Cottrell:

Enclosed for filing is the original copy of the pre-filed Testimony of Elliott Jacobson on behalf of the Massachusetts Community Action Program Directors Association, Inc.

In accordance with the Ground Rules in this case, we are serving Hearing Officer John Geary with 15 copies, each person on the service list with a copy, and, electronically, dte.efiling. We have also e-mailed a copy to each party for whom we have an e-mail address.

Sincerely,

Jerrold Oppenheim
57 Middle St.
Gloucester, Mass. 01930

Charles Harak
National Consumer Law Center
77 Summer St., 10th floor
Boston, Mass. 02110

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

BOSTON GAS CO.

Performance Based Rate Plan

)
) D.T.E. 03-40
)

**TESTIMONY OF ELLIOTT JACOBSON
ON BEHALF OF
MASSACHUSETTS COMMUNITY ACTION PROGRAM DIRECTORS ASSOCIATION,
INC.**

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July 7, 2003

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12 ON BEHALF OF
13 MASSACHUSETTS COMMUNITY ACTION PROGRAM DIRECTORS ASSOCIATION,
14 INC.
15

16
17 **Q: Please state your name and business address.**

18 My name is Elliott Jacobson. I am employed by Action, Inc. ("Action") as Director
19 of Energy Services. My business address is 47 Washington Street, Gloucester,
20 Massachusetts.
21

22 **Q: On whose behalf are you offering your testimony?**

23 A: I am testifying on behalf of the Massachusetts Community Action Programs
24 Directors Association, Inc. (MASSCAP) an intervenor in this case. The agency for
25 which I work, Action, is one of the 23 community action programs in Massachusetts
26 that are part of the Association and that provide energy services to low-income
27 families in their communities. Action is a contractor to KeySpan for implementation
28 of its low-income efficiency programs in parts of Massachusetts and New
29 Hampshire. To conduct some of that work in Massachusetts, Action sub-contracts to
30 13 other members of MASSCAP and two other agencies. Action also implements the

1 Weatherization Assistance Program (WAP) of the U.S. Department of Energy
2 (DOE), in part in KeySpan's service territory, under a contract with the
3 Massachusetts Department of Housing and Community Development (DHCD), in
4 connection with which it subcontracts to the same 15 agencies. Finally, Action
5 implements the Low-Income Home Energy Assistance Program (LIHEAP) of the
6 U.S. Department of Health and Human Services (HHS), in part in KeySpan's
7 service territory, under a contract with DHCD.

8
9 **Q: Please provide an overview of your testimony?**

10 A: Yes. First, in considering the needs of KeySpan's low-income customers, it is
11 important to recognize that gas prices jumped sharply this winter and that prices
12 may well remain unstable but at historically high levels for some time. Second, low-
13 income households always struggle to pay their bills, but this winter was especially
14 difficult due to the combination of high prices and unusually cold temperatures.
15 The households we see are therefore further behind in their bills than ever. Third,
16 because of this crisis, the existing Federal, Commonwealth, and KeySpan programs
17 and policies that are designed to help low-income people keep their homes heated in
18 the winter are no longer working. We are seeing an alarming rise in the numbers of
19 seniors who go without medications or limit their food intake in order to pay their
20 heating bills, and of families with young children going through the summer
21 without hot water because they could not pay the previous winter's heating bill.

22 Fourth, we commend KeySpan for the work it has done to help low-income

1 customers, through rate discounts and utility-funded energy efficiency programs,
2 and we are particularly pleased that KeySpan is offering to bring its On Track
3 program to Massachusetts. In light of the now massive gap between gas prices and
4 the ability of low-income households to pay their bills (even factoring in the
5 availability of fuel assistance and discount rates), we hope to assist in developing
6 arrearage management and price stability programs with KeySpan that that will
7 extend KeySpan's socially responsible leadership even further.

8
9 **Q: Please describe your current job responsibilities.**

10 I have general management responsibility for all of Action's energy programs.
11 These programs include fuel assistance (LIHEAP), weatherization, HEARTWAP,
12 and utility-funded energy efficiency efforts, all of which I describe more fully below.
13 My responsibilities include contract management, supervision of managers and sub-
14 contract directors, interagency relationships, and fiscal management. I supervise a
15 staff of 20 employees, managing about \$12 million a year with an impact on a total
16 of about 10,000 low-income households each year.

17
18 I am also chair of the Low-Income Energy Affordability Network ("LEAN"), which
19 coordinates the work of agencies across the Commonwealth that deliver utility-
20 funded energy efficiency programs. LEAN was established among the member
21 agencies of the low-income weatherization and fuel assistance program network to
22 provide the services required for implementing the coordination requirements of the

1 1997 electricity restructuring statute, including coordination of electricity and gas
2 low-income efficiency programs.

3
4 **Q: Have you been involved with other organizations that address low-**
5 **income energy issues?**

6 A: Yes. I was a founding member of the Executive Committee of the State Energy
7 Advisory Board to DOE, on which I served from 1992 through 2000. In that
8 capacity, I advised DOE Secretarys Wadkins, O'Leary, Pena, and Richardson on a
9 variety of low-income energy matters. Secretary O'Leary appointed me to the White
10 House Climate Change Task Force, where I chaired the Low Income Energy
11 Committee from 1993 through 1995. I have been on the Board of the National Low
12 Income Energy Consortium (NLIEC), an alliance of utilities, government agencies,
13 and human service agencies, since 2000. I am also serving on two committees of the
14 National Energy Assistance Directors Association (NEADA) that are evaluating
15 state performance standards and the integration of national energy programs. I was
16 on the New York State Energy Research and Development Authority (NYSERDA)
17 Energy Efficiency Committee from 1998 through 2000. In New England, I was the
18 founding chair of the Energy Committee of the New England Community Action
19 Association, in which capacity I have served since 1979. Here in Massachusetts, I
20 was chair from 1979 through 1986 and again from 1992 through 1996 of the
21 Massachusetts Energy Directors Association, an association of the people like
22 myself who are in charge of low-income energy programs across the Commonwealth.

1 I have served on DHCD's Energy Program Advisory Group (EPAG) since it was
2 established in the 1980s.

3
4 **Q: Please describe the impact of recent gas prices on the families you**
5 **serve?**

6 A: Day to day, we see clients in desperate circumstances. One client we helped at
7 Action Energy this winter is 83 years old and suffering from declining health.
8 While she only lives in a 2 bedroom apartment, her bills are large because she is not
9 able to tolerate the cold. She fell so far behind on her bills that one utility company
10 took a lien on her property to protect its interest in getting paid. In another case, a
11 family was experiencing a range of financial problems, not only with its heating
12 bills, but also because one of the parents became gravely ill. The family was about
13 to have its utility service shut off until we were able to raise funds from some
14 churches and other charitable sources. For many of our families, advanced age,
15 illness or disability make it impossible to earn enough income to get by. As a direct
16 service agency, our job is to cobble together solutions on a case-by-case basis that
17 keep people from being disconnected, drawing on fuel assistance, payment plans,
18 and emergency and charitable funding sources. Despite all of our efforts, we see
19 families almost daily who are worried about being having their utility services
20 disconnected or have already been shut off.

21
22 Local fuel assistance agencies are seeing many more clients this year than in the
Testimony of Elliott Jacobson for MASSCAP in D.T.E. 03-40

1 past with large utility bill arrearages. At my own agency, Action, Inc., we recently
2 reviewed the files of our clients who use KeySpan. As of about six weeks ago, we
3 were serving 471 KeySpan heating customers in our fuel assistance program. The
4 average income of these households was only \$14,600. Three-quarters of those
5 households had completely exhausted their average fuel assistance benefits of \$500
6 (increased by a maximum of \$120 for those with exceptionally high energy bills)
7 Our KeySpan heating families were \$500 in arrears, on average – some as high as
8 \$1200.

9
10 Community Teamwork, Inc. (“CTI”) in Lowell, which also provides fuel assistance to
11 a large number of KeySpan customers, also reviewed its files recently to learn more
12 about the arrearages of its KeySpan households. While these families are not
13 customers of the Boston Gas subsidiary of KeySpan, their experience is
14 representative of low-income families across the Commonwealth. CTI picked 34
15 clients who used KeySpan for gas and who had some level of bill arrearage. The
16 average amount in arrears was just over \$2,000. Twenty three (23) of the 34
17 customers had arrearages of \$1,000 or more. While this is not a scientific survey, it
18 is representative of my experience and the experience of my colleagues across the
19 Commonwealth – low-income families are in serious trouble trying to pay last
20 winter’s heating bills.

21
22 While local fuel assistance agencies cannot easily compare the year-to-year
Testimony of Elliott Jacobson for MASSCAP in D.T.E. 03-40

1 arrearages of our clients who use KeySpan's gas, the Company itself has provided
2 us some information in discovery in this case that is consistent with what we have
3 been seeing as we assist families that come to us for help. For example, the
4 responses AG 2-1 (C) [as revised by the answer to MCP 2-1(a)] and 2-1 (D) show
5 that the total amount of residential billing 30 to 59 days in arrears increased over
6 30% from 1999 to 2001.¹ In the same 1999 to 2001 time period, the amount of
7 residential billing over 60 days in arrears increased 80%. Customers more than 60
8 days in arrears are the ones most likely to be disconnected. In fact, the response to
9 AG 2-1 (I) [May 28 supplement] shows that the number of residential customers
10 being terminated reached 10,430 in 2002, the highest level reported and 18%
11 greater than the prior year. All of these data are consistent with our experience in
12 the field that many of our clients have much larger arrearages and are at much
13 greater risk of losing gas service than in past years.

14
15 Families are unable to pay their heating bills in increasing numbers both because
16 the bills are high in absolute terms and because the bills are unpredictable. When
17 bills double, drop back for a while, then double (or more) again, families cannot
18 budget for their payment. They become hopeless, partly because they can neither
19 control nor even know the size of the next bill. In this way, the instability of gas

¹ While the responses to AG 2-1(C), including the original response, supplemental response dated May 28, 2003, and second supplemental response dated May 30, 2003 all reflect "Total Residential Billing 30 to 59 Days Arrears" of \$58,511,000 for the year 1999, the company has represented to MASSCAP that the actual number is \$5.85 million. Therefore, the increase from

Testimony of Elliott Jacobson for MASSCAP in D.T.E. 03-40

1 prices is as much a problem for low-income families as is the unaffordability of the
2 price.

3
4 **Q: Please explain what, in your opinion, has made this a more difficult**
5 **year than past years for your clients?**

6 A: In addition to the relative harshness of last winter, gas prices have been rising
7 sharply, with no relief in sight. According to KeySpan's web site,² the cost of gas
8 adjustment ("CGA") in Boston doubled over the course of the winter. From June
9 2002 through October 2002, the CGA was \$0.463 per therm. As of November, the
10 beginning of the heating season, it rose to \$0.6216. It climbed steadily throughout
11 the winter, peaking at \$0.9842 in April 2003, more than double the June - October
12 2002 price. While the CGA declined somewhat to \$0.783 in May 2003, this is almost
13 double the May 2002 CGA of \$0.4314.

14
15 This local trend in gas prices is the result of what appears to be a long-term,
16 national trend of sharply increasing wholesale gas prices. According to the DOE's
17 Energy Information Administration ("EIA")³, wellhead prices ranged from just
18 under \$2.00 to \$3.69 per thousand cubic feet (Mcf) from 1997 through 2000. In

1999 (\$5.85 million) to 2001 (\$7.696 million) is over 30%.

² All prices in this Answer can be found at <http://gasrates.keyspanenergy.com>, then clicking on "Energy Info & Tips," then "Gas Rates."

³ EIA, "Selected National Average Natural Gas Prices, 1997-2003 (Dollars Per Thousand Cubic Feet)"

1 2001, average wellhead prices rose to \$4.02/Mcf. They dropped just below \$3.00 on
2 average in 2002, and have been at very high levels since. EIA's "Natural Gas
3 Weekly Update" released June 12, 2003 shows estimated wellhead prices (\$/Mcf) of
4 \$3.84 in December 2002, rising to \$6.69 in March 2003, and only falling to \$4.97 in
5 May 2003 with the advent of warm weather. The same Weekly Update predicts
6 rising delivered residential prices throughout the summer, reaching \$11.73
7 (\$/MMBtu) in August 2003, 10% to 15% higher than the August prices for the prior
8 two years. Further, the EIA's "Short Term Energy Outlook" for June 2003 projects
9 that natural gas prices will remain high for the rest of 2003, with spot prices in the
10 range of \$5.50 to \$6.00/MMBtu. I am not an expert on gas prices, but I do not take
11 comfort from current NYMEX gas futures prices that are more than \$5.00 this
12 summer and next winter and that remain at or above \$4.80 for contracts through
13 March 2005.

14
15 **Q: Please the programs that Action and other low-income agencies offer to**
16 **help low-income gas customers?**

17 A: Yes. First, the most critical crisis program is the Low-Income Home Energy
18 Assistance Program ("LIHEAP" or "fuel assistance") because of the number of
19 people it serves and the level of assistance. This year, LIHEAP served more than
20 130,000 households in the Commonwealth with an average benefit of around \$500.
21 The households in the lowest income-eligibility category, those with income less
22 than 100% of the federal poverty guideline (\$18,100, for a family of four) could get

1 up to \$700 of assistance on their bills this winter. Families making between 175%
2 and 200% of poverty could get up to \$475 of assistance. These numbers vary year to
3 year, and there is an additional “high energy burden” benefit for households with
4 unusually large bills; about half of all low-income households qualified for that
5 benefit this year. Under the budget proposals now pending in Congress, these
6 benefit levels will drop about 20% next winter.

7
8 The federally-funded Weatherization Assistance Program (“WAP”) makes it possible
9 for low-income families to control their heating bills by weatherizing their homes.
10 This program serves a much smaller population, about 3,000 homes per year in the
11 Commonwealth, by installing insulation, tightening air flow in the building
12 envelope, repairing or replacing heating systems, and making minor repairs that
13 reduce energy losses. The average invested per home is about \$2,000.

14
15 Action and other agencies across the state also administer “HEARTWAP,” the
16 Heating Energy Assistance Retrofit Task Weatherization Assistance Program,
17 funded by the U.S. Department of Health and Human Services. This program
18 provides services to low-income homeowners which range from an annual cleaning
19 and evaluation of the heating system to repair or complete replacement of heating
20 systems that are not working.

21
22 **Q: Does KeySpan offer additional programs for its low-income customers?**
Testimony of Elliott Jacobson for MASSCAP in D.T.E. 03-40

1 A: Yes. KeySpan has been an exemplary corporate citizen and is a national leader
2 in its low-income efficiency program. First, KeySpan offers a substantial discount of
3 40% off of its base rates to its low-income customers. Further, unlike most other
4 companies in the state, KeySpan makes this discount available to its customers who
5 are at or below 200% of the federal poverty guideline, not just to those households
6 with income at or below 175% of the federal poverty guideline. The maximum
7 eligibility for fuel assistance, previously only 175% of the poverty guideline, is now
8 200% of the poverty guideline, and KeySpan has chosen to match its discount to the
9 higher fuel assistance eligibility level. Second, KeySpan supports low-income
10 energy efficiency programs. Not only are these programs well-designed to achieve
11 consumption savings as high as 25% in low-income homes – as high as 40% with
12 heating system replacements – KeySpan has been extremely cooperative in working
13 with the local agencies like Action, Inc. that deliver these low-income efficiency
14 programs. KeySpan's cooperation has improved program quality and effectiveness.
15 Key Span's low-income efficiency program not only cost-effectively saves energy, but
16 it also contributes to our clients' health, safety, and comfort by sealing drafts,
17 repairing or replacing dangerous heating systems, and improving heat while
18 reducing bills -- and the more affordable bills reduce cut-offs and even
19 homelessness. We are grateful that, in response to the current crisis for low-income
20 families, KeySpan expects to increase this commitment by almost 20%. Finally,
21 KeySpan offers payment plans for customers who are having trouble paying their
22 bills and, of course, winter moratoria on service termination.

1
2 In addition, KeySpan has been very cooperative in assisting pilot programs Action
3 is operating to provide case management (KeySpan provides some arrearage relief)
4 and home repairs (KeySpan funds weatherization), under national demonstration
5 project grants from HHS and the Ford Foundation, respectively.
6

7 **Q: Do these programs allow a family to pay for all of its energy needs?**

8 A: No. LIHEAP, the program that serves the largest number of households, was
9 never designed to pay all of a family's energy bills. As can be seen from the
10 arrearage data referenced above, many LIHEAP households have arrearages of
11 several hundred dollars or more, even after getting assistance from Action and
12 similar agencies across the state. LIHEAP is not adequately funded to provide a
13 level of assistance that would truly protect households from being terminated for
14 non-payment. Even the combination of LIHEAP, utility discounts and
15 weatherization was not sufficient, when prices were lower and more people were
16 employed in a stronger economy, to make household energy affordable to all low-
17 income families.
18

19 Now that low-income families are losing their jobs and gas commodity prices seem
20 to have permanently doubled, we face a crisis that rivals any I have seen in my 28
21 years of serving low-income families. The overall problem that I see for clients is
22 that the systems which supposedly help poor people stay connected to utility service

1 are broken. Indeed, the social contract that has evolved over the last century has
2 been abandoned as federal and state governments reduce poverty program benefits.
3 The energy problems of the poor are a significant symptom of this continuing crisis.
4 We are very fortunate in Massachusetts to have low-income discount rates
5 (although these discounts reach less than half of the eligible households); a fuel
6 assistance program that provides substantial benefits to the households found
7 eligible (although, again, fuel assistance reaches about a quarter of the eligible
8 households); a federally-funded weatherization program; and utility-funded energy
9 efficiency programs as well. But prices have become so high and unstable, without
10 commensurate increases in funding for these programs, that low-income households
11 are falling farther and farther behind. In short, while gas industry markets and
12 pricing have fundamentally changed over the past several years, the programs to
13 protect the most vulnerable customers from termination have remained mostly
14 unchanged.

15
16 **Q: Is KeySpan proposing any new programs that will help low-income**
17 **people?**

18 A: Yes, KeySpan is proposing to bring the On Track program, which it has been
19 operating in its New York service territory since 1996, to Massachusetts. On Track
20 is designed to assist payment troubled customers by providing education,
21 counseling and support to those customers as well as offering them “arrearage
22 forgiveness” if the customer complies with the program, which includes budget

1 counseling, reasonable payment plans, and social work. Over the course of
2 participating in the New York program, a customer receives two \$100 credits
3 towards accrued arrears during the first 12 months and an additional \$200 credit at
4 the end of the program (usually after 18 months). (See MCP 2-17). We understand
5 that KeySpan will be offering the same arrearage reduction benefits here.

6
7 During its operation in New York, the On Track program has reduced the number
8 of “collection interventions” (such as notices and telephone calls) among the target
9 population; resulted in far fewer terminations and collection-related field visits;
10 and, notably, resulted in higher average annual payments from participating
11 customers. As detailed in MCP 2-18, On Track customers pay the company an
12 average of \$190 more after entering On Track than prior to joining the program.

13
14 The Massachusetts Community Action Program Directors Association strongly
15 support this approach to helping low-income customers. Quite simply, most of the
16 households we serve cannot afford their bills. They face extraordinarily high rents,
17 as Massachusetts is one of the most expensive housing markets in the country.
18 They also face cold winters and, now, high and unstable heating prices. By
19 definition, the households we serve live on very small, fixed incomes, or hold low-
20 wage jobs. We welcome KeySpan’s proposal because it recognizes the fact that some
21 customers cannot pay their entire bills and because the proposed solution is a win-
22 win for all involved. Customers are given additional support and rewarded with a

1 write-off of some of their arrears if they cooperate. The company benefits by having
2 to engage in less collection activity while collecting more revenue. Ratepayers
3 benefit because On Track customers actually pay more to the company each year.
4 We look forward to negotiating as large a program as feasible for KeySpan's low-
5 income Massachusetts customers.

6
7 **Q: Do you have any concluding observations regarding the Company's**
8 **low-income programs?**

9 A: Yes. On behalf of the Massachusetts Community Action Program Directors
10 Association, I strongly commend KeySpan's efforts to introduce On Track in
11 Massachusetts. We are on the front line confronting high and unstable natural gas
12 prices for as far into the future as we can see. Our clients live on the edge and can
13 never catch up from price spikes. They need both affordable prices and price
14 stability. We look forward to working with the Company to develop arrearage and
15 price stability programs that will work for both KeySpan shareholders and our low-
16 income clients.

17
18 **Q. Does this conclude your testimony?**

19
20 A. Yes.